



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

State Agricultural Society
Year Ended October 31, 2005



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at auditor@state.mn.us

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Audit Participation

Cecile Ferkul, CPA, CISA	Deputy Legislative Auditor
Jeanine Leifeld, CPA, CISA	Audit Manager
Scott Tjomsland, CPA	Auditor-in-Charge
Ching-Huei Chen, CPA	Auditor
Thom Derus	Auditor

Exit Conference

We discussed the results of the audit at an exit conference with the following staff of the State Agricultural Society on March 27, 2006:

Jerry Hammer	Executive Vice President
Marshall Jacobson	Chief Financial Officer

Report Summary

Key Conclusions:

- We issued an unqualified opinion on the State Agricultural Society's financial statements for the year ended October 31, 2005.
- We identified no reportable conditions involving the internal control over financial reporting or any instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Audit Scope:

Audit Period: The year ended October 31, 2005

Programs Audited:

- Midway Activity
- Box Office Sales
- Gate and Parking Revenue
- Sales Revenue
- Payroll Expense
- Entertainer Payouts and Other Expenses
- Fixed Assets
- Cash and Cash Equivalents
- Revenue Bond Liabilities
- Accounts Receivable

Agency Background:

The State Agricultural Society runs Minnesota's annual state fair and maintains the state fairgrounds. It earned about \$30.6 million in operating revenues during fiscal year 2005 and had total assets of nearly \$46 million on October 31, 2005.

The Society included the activities of the State Fair Foundation in its annual report as a discretely presented component unit.



OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Senator Ann H. Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Lyle Steltz, President
Board of Managers
State Agricultural Society

Members of the State Agricultural Society

Mr. Jerry Hammer, Executive Vice President
State Agricultural Society

We have audited the financial statements of the State Agricultural Society and the discretely presented component unit as of and for the year ended October 31, 2005, and have issued our report thereon dated March 15, 2006. We did not audit the financial statements of the Minnesota State Fair Foundation, which represents 100 percent of the total discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Minnesota State Fair Foundation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Agricultural Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be

State Agricultural Society

material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Agricultural Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State Agricultural Society's board of managers, the Society's management, and the Legislative Audit Commission and is not intended to be and should not be used by anyone other than these specified parties.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

March 15, 2006

Status of Prior Audit Issues
As of March 15, 2006

Most Recent Audit

The Office of the Legislative Auditor performs an annual audit of the State Agricultural Society. Legislative Audit Report 05-30, dated May 26, 2005, covered the fiscal year ended October 31, 2004. The audit scope included those areas material to the Society's financial statements. The report contained no findings.